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CENTRAL INTELLIGENCE AGENCY

REPORT NO. 

COUNTRY Germany (Russian Zone)

DATE DISTR. SUBJECT Analysis of Political Situation  
by Sepp Schwab

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25X1 1. During the course of a recent conversation with a group of friends, Sepp Schwab, Director of the SED newspaper, *Neues Deutschland*, spoke on the present situation in Germany, pointing out that it had failed to become as serious as anticipated at the beginning of the new year. It was then thought that the western powers were about to launch a large-scale propaganda campaign against Russia. Conditions in general have remained relatively calm, and the western powers have hesitated to make any move, particularly in the direction of an outright division of Germany.

2. Schwab expressed the view that the progress made by eastern European countries and the Eastern Zone in reconstruction and reconversion has been unduly neglected by Communist propaganda. It is recognized, of course, that many of the obstacles confronting reconstruction in the Eastern Zone have not been surmounted and that even the most essential articles are not yet available to the average consumer. Nevertheless, it must be pointed out to the public that the Eastern Zone stands far ahead of the others in the supply of the population and the development of new methods of production in its factories.

3. Schwab stated that the western powers have accused Russia and the SED of obstructing the economic unity of Germany by changes which they are making in the economic structure of the Eastern Zone. The basic issue, however, actually lies in the fact that, under the influence of American monopolistic capitalism, the economic system which prevailed during the Weimar Republic is being relaunched in the West; the goal pursued in the Russian Zone is to find a new and workable system for all of Germany and to put this into effect. Undue timidity has been displayed in recognizing and approaching this problem. This was particularly obvious at the time of the CIA-agreement with Jacob Kaiser, a result of the ideological struggle between the East and the West; too much attention was focused upon the personality of Kaiser and too little upon the social elements of which he is merely the representative.

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4. Attempts of capitalistic forces to gain influence and to guide reconstruction in the Eastern Zone are growing more numerous. This is evidenced not only by proposals advanced by CDU and LDP representatives in the state parliaments, but also by various illegal activities against which no action has been taken as yet. It is known that illegal pamphlets and newspapers are imported from the West and circulated, that agents are sent from Hannover to organize illegal party groups, and that western propaganda has penetrated even the ranks of the SED. The implementation of SLA Order 234 was impaired by this propaganda. Operations of this sort will no longer be tolerated.

5. The general movement to sabotage reconstruction in the East has found a center in Berlin bourgeois circles, and increasing numbers of CDU and LDP leaders are persuading the Berlin population to oppose reconstruction in the East by emphasizing the benefits of the Marshall Plan. This will lead to a serious political struggle in Berlin during the next few months. Discussions of the Marshall Plan must be conducted on a very high level, and the SED press must present a clear picture of the issue at stake in order to counteract the effects of the western drive.

6. The Eastern Zone is approaching economic difficulties which may become more serious during February and March. The anticipated currency reform has occasioned hoarding of goods and thereby increased supply problems. The press must demand that persons who are guilty of such practices be made subject to severe punishments. In the future, SED journals will agitate for the distribution of textiles and consumers' goods on the basis of work accomplished, for bonuses for high productivity, for extreme penalties for sabotage in the factories and administrations, for a coordinating economic instrument for the entire Russian Zone, and against bureaucracy in the state government and central administrations and political and economic separatism. The SMA in Karlshorst and the SED Executive Committee have agreed to give the editors a free hand in conducting this campaign. Neues Deutschland, in particular, will continue to prepare for the Volkskongress in March and to demand a plebiscite on the unity of Germany, forcing popular interest in these subjects if none is naturally forthcoming.

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